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DEC 24 2013

**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR
AGENCY ACTION OF SUMMIT OPERATING,
LLC, FOR AN ORDER MODIFYING THE
BOARD'S ORDER IN CAUSE NO. 127-4 TO
ALLOW THE DRILLING OF ADDITIONAL
WELLS FOR AN EQUIVALENT 40-ACRE WELL
DENSITY PATTERN IN E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ AND
W $\frac{1}{2}$ SE $\frac{1}{4}$ OF SECTION 33, TOWNSHIP 6 SOUTH,
RANGE 21 EAST, SLM, UINTAH COUNTY,
UTAH

**FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**

Docket No. 2013-031

Cause No. 127-06

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, December 4, 2013, at approximately 10:00 a.m., in Room 210 at the Utah State Capital Complex – East Building in Salt Lake City. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Kelly L. Payne, Chris D. Hansen and Susan S. Davis. Michael R. Brown was absent from the proceedings. At the commencement of the hearing, Board member Carl F. Kendell, citing a potential conflict of interest, recused himself and did not participate. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of original Petitioner Summit Operating, LLC ("Summit") were Larry R. Williams - Landman, Crystal Hammer - Geologist, and Ellis Peterson – Petroleum Engineer. Also present and testifying on behalf of Finley Resources, Inc. ("Finley"), successor to Summit and real party in interest, was Zachary Archer, Landman.

Messrs. Williams and Archer testified as fact witnesses, Ms. Hammer and Mr. Peterson were recognized by the Board as experts in geology and petroleum engineering, respectively, for purposes of this hearing. Relma M. Miller, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared as attorney for Petitioner.

The Division of Oil, Gas and Mining (the "Division") did not file a staff memorandum in this Cause but nevertheless participated in the hearing. Dustin Doucet, Petroleum Engineer, asked questions on the Division's behalf. Douglas J. Crapo, Assistant Attorney General, appeared as attorney for the Division. At the conclusion of Petitioner's presentation-in-chief, the Division expressed its support for the Request, as conformed to the testimony and other evidence presented at the hearing.

On October 21, 2013, Jerry Kenczka of the Vernal District Office of the United States Bureau of Land Management (the "BLM") filed a letter with the Board in support of Petitioner's request. Although not present at the hearing, via e-mail Mr. Kenczka reaffirmed the BLM's support of the Request. No other party filed a response to the Request and no other party appeared or participated at the hearing.

The Board, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact, conclusions of law and order in this Cause.

FINDINGS OF FACT

1. During the pendency of this Cause, Summit sold certain assets, including its interest in the lands involved in this Cause, to Finley. On November 27, 2013, notice was given to the Board of the Substitution of Finley as the real party in interest. Finley is a Texas corporation with its principal place of business in Ft. Worth, Texas. Finley is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal and State of Utah agencies.

2. The oil, gas and associated hydrocarbons underlying Lot 2, the E $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ of subject Section 33 are federally owned and subject to United States Oil and Gas Leases U-28212, U-37116, and U-50687. The oil, gas and associated hydrocarbons underlying the bed of the Green River in Section 33 (together with the lands described above, collectively hereinafter the "Subject Lands") are sovereign lands, owned by the State of Utah, and subject to Lease FFSL20000127, administered by the Utah Division of Forestry, Fire and State Lands. The lands are located in an area known as the "Horseshoe Bend" area.

3. By Order entered in Cause No. the 127-4, dated effective June 20, 1985, the Board extended prior Orders entered in Cause Nos. 127-1, 127-2 and 127-3 to captioned Section 33, thereby establishing 80 acre stand-up drilling/spacing units for the production of oil, gas and associated hydrocarbons from the Green River Formation and Green

River-Wasatch Transition Zone at a stratigraphic depth of not greater than 7,727 feet, with reference to the Gose Government #1 Well in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 19, Township 6 South, Range 21 East (the "Subject Zone"), with no more than one well to be drilled on any such 80-acre drilling/spacing unit. The 80 acre drilling/spacing units so established consist of the E $\frac{1}{2}$ and W $\frac{1}{2}$ of each quarter section, with permitted well sites in the SE $\frac{1}{4}$ and the NW $\frac{1}{4}$ of each governmental quarter section. Additionally, the Federal 33-1-I Well, located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 33, was deemed the permitted well for the spacing unit comprised of the E $\frac{1}{2}$ SE $\frac{1}{4}$ of said Section 33.

4. The 127-4 Order provided that all wells in the spaced area shall be located no closer than 500 feet from the exterior boundaries of each permitted well site location, providing however, that exceptions to the "500 foot rule" may be approved without notice or hearing based on topographical and/or geological conditions, where ownership of oil and gas leases within a radius of 660 feet of the proposed exception location is in common with the ownership of the oil and gas leases under the proposed exception location, or all owners of oil and gas leases within said 660 foot radius consent in writing to the proposed exception location.

5. In accordance with the 127-4 Order the following wells have been drilled and completed, and continue to produce oil and gas and associated hydrocarbons from the Subject Zone in the Subject Lands:

<u>Well</u>	<u>Location</u>
Federal 33-3-J	NW ¹ / ₄ SE ¹ / ₄ (2116 FSL/2068 FEL)
Federal 33-6-F	SE ¹ / ₄ NW ¹ / ₄ (2140 FNL/2140 FWL)
Federal 33-7-L	NW ¹ / ₄ SW ¹ / ₄ (1651 FSL/914 FWL)
Federal 33-8-N	SE ¹ / ₄ SW ¹ / ₄ (223 FSL/2461 FWL)

6. Experience in the area to date indicates that the Douglas Creek Member of the Green River Formation in the Horseshoe Bend area is comprised of lacustrine shales interbedded with discontinuous marginal lacustrine sandstones. These sandstones were deposited as stream channels and small lacustrine sand bars and shoals. Their lateral extent is extremely limited. Many sandstones which appear to be correlative in adjacent wells are not actually connected reservoirs.

7. Based on exhibits admitted into evidence and testimony received, the drilling of additional wells, to an equivalent 40-acre well density pattern, will economically produce additional resource that would otherwise be left, without significantly harming production to existing wells. Correlative rights are protected by the fact that mineral ownership and operating rights in the Subject Zone are uniform in the Subject Lands.

8. A copy of the Request was mailed, via certified US Mail, and properly addressed to all royalty, working interest and other production interest owners in the Subject Lands, to the BLM and the Utah Division of Forestry, Fire and State Lands, the governmental agencies having jurisdiction over the subject lands. The mailings were sent to the last addresses disclosed by the relevant Federal, State and Uintah County realty records.

9. Notice of the filing of the Request and of the hearing thereon was duly published in the Uintah Basin Standard on October 1, 2013, the Vernal Express on October 2, 2013, and the Salt Lake Tribune and Deseret Morning News on October 6, 2013.

10. The vote of the Board members present and participating in the hearing was unanimous (4-0) in favor of granting the Request.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6.

3. Petitioner has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of the Request as ordered below.

ORDER

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this cause, as conformed to the testimony and other evidence provided at the hearing, is granted.

2. The Order in Cause No. 127-4 is hereby modified to authorize the drilling of additional wells, up to an equivalent 40-acre well density pattern, for the Green River Formation and the Green River – Wasatch Transition Zone in the Subject Lands.

3. Additional wells drilled in the Subject Lands shall be located no closer than 500 feet from the exterior boundaries of each permitted well site location, provided, however, that exceptions to the foregoing “500 foot rule” may be approved without notice or hearing:

a) Upon the filing with the Division of a petition indicating the necessity for the proposed exception location based on topographical and/or geological conditions; and

b) 1) Where the ownership of oil and gas leases within a radius of 660 feet of the proposed exception location is in common with the ownership of the oil and gas leases under the proposed exception location; or

2) All owners of oil and gas leases within such 660 foot radius consent in writing to the proposed exception location.

4. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. § 63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

5. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. § 63G-4-208 and Utah Administrative Code Rule R641-109.

6. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. § 63G-4-208(e) - (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with

the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §§ 63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. § 63G-4-302, entitled, “Agency Review - Reconsideration,” states:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing

must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63G-4-302 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

7. The Board retains continuing jurisdiction over all the parties and over the subject matter of this Cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

8. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 24th day of December 2013.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By: 
Ruland J. Gill, Chairman

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** for Docket No. 2013-031, Cause No. 127-06 to be mailed via E-Mail, or First Class Mail, with postage prepaid, this 26th day of December, 2013, to the following:

Relma M. Miller
MacDonald & Miller
Mineral Legal Services, PLLC
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Summit Operating, LLC
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Michael S. Johnson
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[Via Email]

Steven F. Alder
Assistant Attorney General
Utah Division of Oil, Gas & Mining
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United States of America
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Utah State Office
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440 West 200 S STE 500
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[Address updated 10/4/2013]

United States of America
Bureau of Land Management
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Uintah Basin Royalty Partnership
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Ute Energy Upstream Holdings, Llc
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[Address updated 10/4/2013]

A handwritten signature in blue ink that reads "Julie Ann Carter". The signature is written in a cursive style and is positioned above a horizontal line.